Organizational transformation implications for managing personnel as key resource

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ORGANIZATIONAL TRANSFORMATION
IMPLICATIONS FOR MANAGING PERSONNEL AS A KEY RESOURCE

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Background and overview

In his work, The principles of scientific management (1911), Frederick Winslo Taylor emphasized that the work of lower-level participants in organisations should be specialised, standardised and simplified. He stressed the advantages of carefully written job definitions and that authority and decision making should vest with management while the lower-level members of staff were supposed to do, not to think. It resulted in the assembly line approach, with tremendous productivity gains. This approach was quite appropriate in view of the work force situation at that stage and, up to the mid-century, it seemed as though the ultimate approach to management had been discovered: careful controls, centralized top-down decision making, carefully programmed and prescribed tasks, separating thinking from doing.

From more or less the 50’s mention was made that giving people simplified, standardised jobs could have a negative effect on employees’ motivation and productivity. But, no change really occurred. The Western powers were, at that stage, at their height of economic power (especially the United States) and the new approach involved risk and the unlearning of an old message. Time was not right for change. There was no compelling reason to change.

In 1946 Peter Drucker’s book Concept of the Corporation redefined employees as a source rather than a cost. Since then his publications have become the source and intellectual guide to senior managers world-wide.
In the 60's participative management became an interesting academic topic that stimulated debate on how work should be designed. The question was whether individuals really wanted interesting, challenging work, or whether they preferred to do repetitive jobs.

In the 1970's things started to happen. The book by Elliot Richardson, *Work in America* (1973), "made a strong and passionate argument for changing the nature of bureaucratic organisations in the United States ... it set off a highly visible national debate around the type of work that people prefer and the impact of work design on people’s productivity and well being". In short, people were sensitized for alternatives. At the same time various companies, including General Motors, started on experimentation with quality-of-work-life projects. In the 80's it was discovered that America’s top companies have performed poorly over the last decades, that they have lost markets and have experienced loss in productivity, poor quality and a low rate of innovation.

Western managers experienced changes that rocked their organizations. A number of authors suggested that major changes could be expected. Peter Drucker (1969) in *The age of discontinuity*, argued that the world was entering a period where slow incremental change would be replaced by fast traumatic change. Toffler (1981) had more or less the same approach in his *The Third Wave*, stating that a new wave of development should be expected. Naisbitt (1982) diagnosed ten megatrends or major transformations which were taking place in society. He saw these trends in the United States and although managers showed much interest in his book, it seemed to have very little immediate impact on management. At the same time one of the most popular publications stimulating a reconsideration of management attitudes appeared. In their *In Search of Excellence*, Peters and Waterman (1982) identified eight basic principles for American companies to "stay on top of the heap". Towards the end of the eighties, Peter Drucker also referred to a new era, characterized by alliances and restructured organizations.
The nineties were entered with two extremely important books, namely Kanter’s *When Giants Learn to Dance* and Pascale’s *Managing on the Edge*. Kanter argued that faster action, more flexibility and closer partnerships with employees and customers were required. Employer and employee had to think about organizations in a radically new way - as summed up by Limerick and Cunnington in 1993: "It implies a mind-set of autonomy and empowerment, of competition and collaboration, of the fierce expression of individual competence and excellence, together with the need to recognize the competencies of others and to combine with them in alliances and partnerships". They went on to say: "... one of the most fundamental tasks of strategic management ... is the management of meaning - of vision, values, identity and mission. This is what provides cohesion, particularly for networks, during times of consolidation. And this is what provides a new mind-set during times of renewal and transformation".

Other authors who have had a major impact on the line of thought leading the Academic Information Service on its path of transformation, are Edward E. Lawler, Joy R. Galbraith, John P. Kotter, M. Kanter, and David E. Bowden. Special mention should be made of the philosophy and reasoning of Edward Lawler. Gathering from his role as professor in the Graduate School of Business Administration at the University of South California and as Director of the University’s Center of Effective Organizations, he and Peter Drucker could be regarded as the key figures influencing our thoughts regarding managing change at the Academic Information Service of the University of Pretoria (AISUP).

Nearer home the outstanding expertise and input by Prof. J.S. Uys, expert in the field of organizational transformation, is invaluable. The important role played by colleagues like Prof. H. de Bruin, deputy director of the Academic Information Service and Prof. C. Pottas, deputy director of the Personnel Department, should also be mentioned.
In view of paradigm shifts experienced worldwide, including the impact of information technology and new sociological trends, the inevitability of change can no longer be questioned. A crucial question, however, remains: Are librarians and library and information services fully aware of the new challenges at their doorstep and how are they responding? Trends in the information business indicate that the traditional library customer will by-pass the conventional library more and more and that the idea of running a university without a library is no longer far-fetched. As in the case of other organizations the survival of the library depends on its reaction to the challenge of change. In the strategic planning session of 1990, AISUP followed a future-back approach. That session was the turning-point in the management philosophy and structural setting of AISUP. Future scenarios indicated that unless major changes were to take place, the Service would not be in the position to satisfy expected needs of customers. Libraries can no longer comfort themselves by arguing that they will always be needed. On the contrary, when taking the impact of information technology and the capital expenditure involved into consideration, libraries and information services can not be excluded from new management philosophies and structural changes applied to other organizations. On the question what the best foundation upon which to build a programme for change would be, Lawler answers: "... it is organizational effectiveness and business necessity. Most of the successful organizational changes that I have seen were started because an organization needed to respond to a business issue".4

Following from the 1990 strategic session, three key decisions were made: 1. that instead of managing libraries and paper-based collections, information should be regarded and managed as a resource, 2. a marketing (client) orientated approach was accepted, and 3. the design and implementation of a human resources management plan was regarded as the highest priority. It was inevitable that a comprehensive organizational development and transformation project would have to be launched and that high-level expertise should be contracted on a consultancy basis to assist in
addressing the *how* of change. This approach was in line with French and Bell who stated: "Organization development is a top-management-supported, long-range effort to improve an organization's problem-solving and renewal processes, particularly through a more effective and collaborative diagnosis and management of organization culture - special emphasis on formal work team, temporary team, and inter group culture - with the assistance of a consultant-facilitator and the use of the theory and technology of applied behavioral science, including action research". An organizational development and transformation project was formally approved by the top management of the university.

According to Limerick and Cunnington, a project like that involves transformational changes in "the fundamental nature of the organization in relation to its ecosystem and requires completely new ways of thinking, behaving, and perceiving by members of the organization ... [it] requires a complete transformation of the identity and metastrategic design of the organization". What is needed, is transformational leadership and at this point in time the library and information profession needs transformational leaders who are visionaries, inspiring their followers to accept a new vision, a new dream, a new identity.

One characteristic that frequently separates successful change projects from unsuccessful ones is the existence of a vision. Walt Disney is often quoted as saying: "If you can dream it, you can do it". In the case of organizational change, a slightly different expression is appropriate: dreaming it, is the beginning of it. "In the successful projects I have studied, there is usually a shared vision about the desired end state ... in unsuccessful projects, the participants rarely have a clear idea of where they would like to take the organization ...".

The relevance of vision ties up with resistance to change as a fundamental problem. The key to successful change management lies in participation in all decisions about organizational changes. Furthermore, communication is perhaps the most important
challenge in change management. Better communication promotes better understanding of the change.

John Kotter found that in every successful transformation effort "...the guiding coalition develops a picture of the future that is relatively easy to communicate and appeals to customers, stockholders and employees ... A vision says something that helps clarify the direction in which an organization needs to move". According to Kotter it usually takes three to five, or even twelve months, for a vision to emerge from a first draft to something better. A little dreaming and a lot of analytical thinking is required. Effective strategic leadership is then needed to keep everyone aligned with and committed to the evolving vision. Continuous communication with all members of the organization presents an important challenge and AISUP developed strategies and action plans to provide for ample individual and group involvement. Every member of staff had the opportunity for input to and comment on a vision which is to be finalized by a management forum.

**Human resource management**

The need to change links up with social change and paradigm shifts over the last couple of years. It laid the table for a completely new approach regarding management of the most valuable resource and power: staff. Tough international competition, especially provided by Japan, forced American companies to reconsider their human resources management approach. "Since 1970, Japanese productivity has more than doubled, while that of the United States has increased by less than 50 percent ... the very survival of some American industries depends on effectively utilizing labour, which, in turn, depends on how people are organized and managed".

Today, the emphasis is on the high-involvement of staff. High-involvement implies that a participatively managed organization operates in such a way that it jointly maximises the involvement of all employees and organizational effectiveness. Many decisions have to be made regarding pay, promotion and training, all affecting individual careers.
and rewards. A question to be answered is how staff can be rewarded for increased organizational effectiveness. There is a substantial correlation between organizational performance and compensation of staff. In this regard the nature of human needs is extremely relevant to understand the individual’s desires. Authors like Maslow (1954) pointed out that individuals "have multiple needs, some of which can be satisfied by extrinsic rewards such as pay, recognition from the boss, recognition from other people, and security. They also stressed that individuals have intrinsic needs for such things as personal growth and accomplishment. These needs can be satisfied by internal rewards, such as feelings of personal growth, accomplishment and self-fulfillment. The distinction of intrinsic and extrinsic rewards is very important ... individuals must see connections between their performance and rewards if performance motivation is to be present".10.

The organizational transformation project of the AISUP has now reached the stage where its human resources management has to be transformed. Strategies and action plans are based on the following underlying assumptions which will come to the fore continuously11.

- People want to participate
- When people participate, they accept change
- When people participate, they are more satisfied and committed to the organization
- People are a valuable resource because they have ideas and knowledge
- When people have input in decisions, better solutions are developed
- A long-term commitment should be made to the development of people
- People can be trusted to make important decisions about their work activities
- When people make decisions about the management of their work, the result is greater organizational effectiveness.

The high involvement of staff naturally leads to a flat structure with few levels of management and where decisions are made with the involvement of staff concerned. AISUP accepted the viewpoint that the strength of its transformed organization lies in
empowering each individual and unit within the academic information service and that that power has to be harnessed through a healthy team spirit, good communication and networks of activity.

Control

There is a distinct relationship between culture and management approach. Differences between Japan and the United States have been a constant issue for discussion in management literature. Despite differences between production and services organizations and between library and information services and commercial enterprises, all organizations share the challenge of change forced upon them by paradigm shifts. A paradigm shift in the field of management simply means a fundamental shift in how we think about organizations and management. A paradigm establishes the rules, defines the boundaries and describes how to behave within those boundaries to be successful. Continuous improvement is required of organizations to remain competitive in a world where low-cost, quick response to technology and customer-driven management are increasingly important.

A report by the Economist Intelligence Unit in association with Gemini Consulting indicated that executives are developing new "psychological contracts" with their employees to build trust, harness the power for good and create a sense of community around a shared vision. If people are given an exciting vision and a value system is accepted and internalized, they can individually and collectively perform and accomplish beyond expectations.

It is accepted that the traditional concept of control, experienced by many as "looking over the shoulder", and executed "mechanically" with objectives, norms and standards, is in some way counterproductive. People seem to respond more productively when they experience an organizational culture where employees are stimulated to believe
in themselves, where they have the opportunity to prove themselves, and where a value system has been created and accepted by all.

AISUP regarded contracting a mission, as well as a vision and value system, with members of staff as a prerequisite for successful organizational transformation. Contracting the values was the first and easier step. Internalizing them however, is the real challenge. After some time a consultant was contracted to determine the degree of internalization. Fortunately the findings turned out to be very positive and transformation activities could proceed with great confidence.

Contracting and internalizing a vision and value system supply the solid base for launching transformation activities successfully. It guarantees the involvement and participation of staff. Unless employees believe in themselves, believe in what they do and experience opportunities to prove themselves, success will escape the organization. Control is achieved when the necessary commitment and alignment between staff and their vision and value system is established.

The new approach might leave the manager with a feeling of lack of control. This feeling of unease will last as long as the traditional functional and hierarchical managerial power is maintained; the organization is not turned into a learning organization and the challenge of leadership has not been accepted by management. As an effective leader the manager should have the skills to align his staff behind the chosen direction.

Hierarchy

The new approach regarding control naturally questions the legitimacy of an hierarchical organizational structure. Lawler stresses the fact that "today's organizations need to perform in ways that were never necessary when the traditional bureaucratic approach to management was conceived and developed. Therefore, the
traditional approach often falls short of achieving the performance levels that are necessary in today’s competitive environment". The main reason might be that according to the rules of hierarchy, decisions are moved to those individuals having formal power. This leads to decision-overload and decisions are sometimes made without a full understanding of the complexity of a particular situation. Quality of decision-making (e.g. timely and responsive) is promoted by making decisions close to the point of contact with the customer and by involving members of staff nearest to the problem to be solved.

According to Ricardo Semler, president of Brazil’s largest marine and food-processing machinery manufacturer (his book *Turning the Tables* was on Brazil’s bestseller list): "The organizational pyramid is the cause of much corporate evil, because the tip is too far from the base. Pyramids emphasize power, promote insecurity, distort communications, hobble interaction, and make it very difficult for the people who plan and the people who execute to move in the same direction".

Peter Drucker wrote "Corporations once built to last like pyramids are now more like tents. Tomorrow they’re gone or in turmoil".

In a paper delivered at the 1994 IATUL Conference it was indicated how AISUP moved from a hierarchical to a matrix structure. After experiencing the new dispensation for another year management is more convinced than ever that the organizational transformation project has already delivered advantages beyond expectation.

AISUP’s marketing/customer orientated approach led to the forming of service units aimed at the needs of identified market segments. Good progress has been made with a strategy of defunctionalization. The challenge and outcome of business re-engineering resulted in acceptance of process-ownership. This implies that the team of each service unit takes full responsibility for the process starting by determining the needs of clients and ending by delivering services and products to the satisfaction of clients.
In terms of this new management philosophy and the acceptance of a marketing orientation the merit of defunctionalization to engage client-driven process-orientated teams in a one-stop-service, can hardly be questioned. Services should be customized taking differences in needs between clients from different faculties into consideration. Quality services do not only mean doing things right the first time, it also means choosing the right thing. Doing the right thing (effectiveness) in AISUP means satisfying client needs. In many cases libraries do not really know what their users want. Users, on the other hand, are not fully informed about the services offered and how to access them. Libraries have assumed, wrongly, that if their functions are performed excellently they would carry an image of excellence. Many libraries are not in close touch with their market and do not succeed in coordinating functions to answer customer needs. Cataloguing and classification were quite often a means to an end.

The team approach is propagated widely by leading management scientists. Lawler writes: "In service organizations, teams need to be given responsibility for performing all activities with respect to a particular customer." He continues to add that the "physical layout of the facility needs to be designed to facilitate the team's ability to produce an entire product or serve a customer completely ... Equipment needs to be positioned so that employees who are on the same teams are located together." Consequently AISUP had a new layout of its physical facilities.

**The individual and his career**

The new management approach, as discussed above, leads to two key questions: (a) how does the new situation influence responsibilities carried by the individual and the organization (management) respectively and (b), what are the implications for compensation/reward?

With regard to the first question, Peter Drucker said: "More than anything else, the individual has to take more responsibility for himself or herself rather than depend on the company.
"Most men and women in the executive program I teach are about 45 years old and just below senior management in a big organization or running a midsize one. When we began 15 or 20 years ago, people at this stage were asking, 'How can we prepare ourselves for the next promotion?' Now they say, 'What do I need to learn so that I can decide where to go next?'."18

The ball is now in the hands of the individual to plan a winning life. He is managing his own career. He has the responsibility to know himself in order to find the right kind of job as he develops and as his family becomes a factor in his values and choices. Furthermore, it is a question of competencies and skills. The employee should know himself. Self-knowledge is essential for survival. In the past organizations provided linear careers - i.e. career paths moving up in the hierarchy.

This hierarchical approach will have to change significantly. What employees need now "is a systems orientation, a view of the whole that includes the horizontal relationships between processes. Understanding the horizontal flow requires cross-functional experience ..."

"The career implications of this approach are significant ... it argues for greater emphasis on cross-functional career moves and, in some cases, purely horizontal reassignments ... [it] fit with both an emphasis on total quality management and an emphasis on high-involvement management"19. This makes the second question extremely relevant: what are the implications for a compensation/reward system?

Compensation/reward

The involvement-orientated approach advocated in this paper implies that organizations should be structured in such a way that employees at the lowest level not only perform work, but are also responsible for solving problems, taking decisions, coordinating their work with others, communicating effectively and improving work methods and procedures.
Although the empowering of the individual is emphasized, teamwork is more important than individual efforts. "The firm cannot afford a stable of individual superstars ... cooperative teamwork is necessary to accomplish the multiple interdependent tasks." The team concept is an old one. There are a few basic models to choose from to select the right one for the right kind of work situation. If you take a baseball or athletic team, there is hardly any interaction between members of the team. Everyone is a specialist in his field and maximum concentration is required for individual success. It is quite different with a soccer team or even symphony orchestra. The soccer team moves coherently while everyone retains the same relative position to his team mates. In the orchestra great discipline is required. Everyone plays his particular instrument and they know when the trumpet is about to solo. However, the challenge is to play together to maximum effect. Although the conductor can not play the violin himself, he has the touch, sensitivity and vision to conduct a brilliant performance.

It is evident that the competence and skills of the individual, as well as the performance of the team, should be taken into account when decisions about compensation are made. "The advantages of rewarding individual performance are significant, but the pitfalls are many and potentially quite serious. Obviously, if the interdependence of the work is such that teams need to be created in order to allow meaningful work to exist, rewards for individual performance essentially are ruled out. On the other hand, if an organization uses an individual job enrichment strategy and individuals can be assigned to whole and meaningful jobs, then these rewards can, and in most cases should, be an important part of an organization's strategy." Rewarding team performance can only work well in situations where team performance is easily measureable and where the work calls for high levels of team-oriented behaviour. "However, strong emphasis should be placed on rewarding team behaviour only if teams are operating in a relative autonomous way. If the teams have complete responsibility for a product or service, an organization may be able to create a gain sharing plan for each team." AISUP created service units and ownership for processes were transferred to the teams of units. The development of a more appropriate reward system is now the immediate challenge and the focus is on the
fundamentals of determining salaries. Good care, however, is taken to distinguish between basic compensation and rewarding achievement (Fig. 1).

**Job evaluation**

In most traditional control-oriented organizations, the major determinant of the individual's pay is the type of work they do. Paying a person for the job fits well with bureaucratic management approaches that exercise control by developing job descriptions, assigning individuals to them, and holding individuals accountable for how well they perform. In this approach, employees are, in many respects, actually worth what their job descriptions say they do because this is all they are asked to do.\textsuperscript{23} Job-based pay typically rests upon the foundation of the job evaluation system.

The job evaluation approach has a few advantages:

- It helps organizations to determine what other organizations are paying and can help an organization to assess whether it is paying more or less than its competitors. It allows apples and oranges to be compared. Jobs from one organization are to be measured and scored on measures that are identical to, or at least comparable to, those used by another organization.
- It allows for a centralized control of an organization's pay system and of its pay levels.
- It is a proven technology which is relatively easy to use. It is especially efficient if many individuals in an organization do the same job; only one evaluation is needed and the differences among individuals can be ignored.

The organizational transformation project of AISUP has led to the conclusion that an alternative for a pay system based on job or position (post) evaluation has to be found.
Disadvantages or inadequacies like the following can be mentioned:

- It is an integral part of a control-oriented management approach. The individual does what the organization tells him to do. Carried to the extreme, employees can refuse to do something because it is not in their job description.
- Job evaluation measures jobs in terms of hierarchical power, control, and responsibilities. Many points are typically assigned to factors concerned with level of responsibility and number of reporting relationships.
- It can create unnecessary and undesirable pecking orders and power relations in the organization. "Research confirms that a rigid hierarchical structure is the last thing that is needed in professional and high-technology organizations. Indeed, the key to success in these organizations often lies in utilizing the technical knowledge and the innovations that come from the bottom of the organization. Thus, employees need to operate in an organizational culture in which individuals are respected and rewarded for their expertise and ideas, not the "value" of the job they hold."24
- "Job evaluation tends to de-personalize the individuals and equate them with a set of duties rather than with who they are and what they can do. It de-emphasizes paying people for the skills that they have and for the ability and willingness to grow and develop ... in organizations whose key assets are employees, a system that focuses on people rather than on jobs, would seem to be a better fit than job evaluation"25.
- "Because both job evaluation systems assign a heavy weight to level of responsibility and reporting relationships, these systems typically strongly reinforce the idea of hierarchical careers ... the major way to increase compensation is to be promoted."26 As mentioned earlier, in professional organizations, however, individuals are needed "who prefer to make horizontal or lateral career moves that develop in them the type of broad based understanding of the organization and its technology that will allow them to operate as integrators, team members, and effective problem solvers"27.
Job evaluation warrants an increase, not because a person is necessarily more valuable or skilled or has accomplished anything worthwhile but rather because the person has taken on additional job responsibilities. "... money that is given to someone simply because that person has taken on new responsibilities is a reward, but is not contingent upon performance. Thus, many organizations end up spending a great deal of their payroll dollars to reinforce job changes rather than to reinforce outstanding performance or growth in skills."  

The organizational transformation project of AISUP has reached the stage where an alternative reward system has to be developed. The system must reward competencies and skills.

**Competency and skill-based pay**

If individuals are paid according to their skills the system focuses on the people themselves and their value. They change the jobs; they develop skills and they are the most important asset. A reward system based on their value reflects this, while paying them for the job they hold, may not.

"A pay program that focuses on skill, knowledge, or competency development can help an organization to actively manage the skill-acquisition process by directly motivating individuals to learn specific skills."  

In terms of its strategic framework a preferred future position has been described for AISUP. The organization’s ability to move to this situation depends on the competencies and skills of its staff. There is an urgent need for a pay system which will reward individuals according to their contribution to accomplish movement to a preferred future position. This is the next step, an immediate and very sensitive challenge in the organizational transformation project.
Strategies and action plans have been developed and implemented to a large extent. They include inter alia the following:

- Contracting top management and other stakeholders of the university
- Identification and description of key business processes
- Identification of directly related tasks and phasing out irrelevant activities
- Identification and description of competencies and skills required for good performance
- Developing of tests and measures to evaluate competencies and skills
- Accomplish optimum involvement of staff
- Activating a task group led by an expert consultant
- Contracting management and task group
- Definition and application of measures and criteria for reward system
- Matching competencies and skills of staff with reward system
- Definition of interface between present and proposed reward systems
- Financial implications
- Proposed action plans for implementation
- Decision making (management and top management of university).

A new reward system is the logical outcome of a commitment to participative management. Statements such as, "people are our most important resource", should be reflected by an organizational culture valuing human development and optimistic about the capabilities and potential of the people who work in the organization. "The new rewards are based not on status but on contribution, and they consist not of regular promotion and automatic pay raises but of excitement about mission and a share of the glory and the gains of success".

A key question for the authorities is what the cost of a new reward system will be. Normally savings can be expected. Lawler argues that "because skill-based pay systems aid in self-management, they make significant savings possible. ... This feature ... is particularly important when, as part of a total quality program, organizations move toward self-inspection and direct customer contact."
Figure 1 presents the framework for developing a reward/compensation system. Although the emphasis of the first phase is on the right hand side, issues of basic compensation and performance rewarding cannot be dealt with separately. Furthermore, whereas basic compensation applies to the individual, the performance bonuses should be aimed at the team.

Conclusion

When discussing the implications of a new management philosophy for managing personnel, further aspects like gainsharing, profit sharing, unions selection, etc. also get into the picture. These issues cannot be dealt with in this paper. As library and information services get more deeply involved in the modern information business, criteria like self-financing and transparency will also come to the fore.

The message of the paper can be summarized as:

- focus on the organization and people, rather than on jobs
- support team performance, rather than individualistic performance
- egalitarianism, rather than hierarchy
- change, rather than stability
- participation, rather than command and control.

The organizational transformation project of the Academic Information Service of the University of Pretoria (AISUP) has been most challenging and rewarding. Addressing the challenge of developing a new compensation system has moved the project to high-risk ground. Nevertheless, it is considered to be much riskier to continue traditional management in a new and changing environment. "Creating change needs to begin with a new statement of compensation philosophy or strategy, careful analysis of the existing reward system, and then the design of a new reward system that better fits the strategic intent and organization structure"32.
References


3. IBID., p. 197.


10. IBID., pp. 28-29.


17. IBID., pp. 314-315.

18. HARRIS, op.cit., p. 117.


22. IBID., pp. 197-198.

23. IBID., p. 144.

24. IBID., p. 149.

25. IBID., p. 149.


29. IBID., p. 165.


Figure 1

**VISION - MISSION - VALUES**

**COMPENSATION AIMS**
- Fair and just
- Economically feasible
- Individual empowerment
- Supportive of
  - potential development
  - organizational performance
- Based on
  - competencies/skills
  - organizational performance

**COMPENSATION REWARD SYSTEM**

<table>
<thead>
<tr>
<th>Performance compensation</th>
<th>Basic compensation</th>
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<tr>
<td>Variable component</td>
<td>Fixed component</td>
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**KEY BUSINESS PROCESSES**

- SKILLS AND
- COMPETENCIES
- BASIC COMPENSATION

**STRATEGY**
- Business plan

**OBJECTIVES**
- Qualified organizational output

**PERFORMANCE BONUS**